

UNITED STATES DISTRICT COURT
DISTRICT OF IDAHO

UNITED STATES OF AMERICA,)	
)	
Plaintiff and)	No. 2:11-cv-00127-BLW
Counterclaim-Defendant,)	
)	
v.)	
)	
FEDERAL RESOURCES CORP.,)	DECLARATION OF
BLUM REAL ESTATE TRUST;)	DR. JOAN K. MEYER
BENTLEY J. BLUM, personally and)	
in his capacity as Trustee of the Blum)	
Real Estate Trust; and)	
CAMP BIRD COLORADO, INC.)	
)	
Defendant and)	
Counterclaimant.)	
_____)	

I, JOAN K. MEYER, declare and state the following:

I. BACKGROUND

1. I am an economist and Principal in the consulting firm, Industrial Economics, Inc. (“IEc”).

2. IEc is under contract with the United States Department of Justice (“DOJ”) Environment and Natural Resources Division to evaluate (“Federal Resources” or “defendant”), its wholly-owned subsidiary until March 18, 2010, Camp Bird Colorado, Inc. (“Camp Bird”), and other related parties. IEc has been asked to identify related parties of the defendant and examine whether any transactions between Federal Resources and related parties may have adversely affected Federal Resources’ financial condition. In addition, IEc has also been asked to evaluate the financial aspects of the March 18, 2010 Asset and Transfer Agreement. IEc has also been asked to analyze the financial and corporate affairs relating to Federal Resources, its major shareholder, Mr. Bentley Blum, and related entities and to opine as to corporate norms.

3. I am the individual responsible for the work performed on behalf of DOJ concerning this assignment. I have over 25 years of experience as a financial economist in assessing the operations and financial condition of businesses. My education and expertise is in the fields of economic, financial, and corporate analysis, and I have experience in environmental noncompliance cases. For this case, I have reviewed the documents produced by the defendant in this litigation, reviewed the deposition transcripts, and conducted independent research for certain publicly available data.

II. FACTS RELATED TO BENTLEY BLUM, FEDERAL RESOURCES, CAMP BIRD AND OTHER RELATED ENTITIES

4. Bentley J. Blum resides on an island near Miami, Florida.¹ He owns over one hundred companies, most of which are currently inoperative.² Collectively, these companies employ five individuals in an office located in Great Neck, New York and one employee that works from his home in North Salt Lake, Utah.³

A. Federal Resources and Subsidiaries

5. Federal Resources is the successor to Federal Uranium Corporation, a Nevada Corporation incorporated in January 1955.⁴ From 1955 to 1982, the company operated as a mining company but since 1989, its business has been limited to the ownership of interests in natural resource properties.^{5,6} Federal Resources repeatedly asserted that its only activity was limited to recordkeeping and liquidating two remaining assets of questionable value and that it depended on funds from affiliates to pay its expenses.^{7,8}

¹ Blum deposition, February 7, 2013, p. 128. See Attachment 1.

² Blum deposition, February 7, 2013, pp. 6 and 210 (Attachment 1); Oddi deposition, February 5, 2013, p. 33; (Attachment 2).

³ Blum deposition, February 7, 2013, pp. 8-9 (Attachment 1); Butters deposition, February 6, 2013, p. 6; (Attachment 3).

⁴ Nevada Secretary of State filings for Federal Resources Corporation.

⁵ Security and Exchange Commission Form 10-KSB for Federal Resources Corporation for the fiscal year ended December 31, 1993.

⁶ Ibid.; Letter dated October 29, 2010 with the response from Scott Butters, President, Federal Resources, to U.S. Department of Justice's request for information dated January 11, 2010, paragraph 1. See Attachment 3.

⁷ See, for example, Letter from Scott Butters (President, Federal Resources) to James Nieman (USDA), regarding File Code 2160, Jul-20-2000; and Letter from Scott A. Butters (President, Federal Resources) to Paul Gornley (DOJ) dated Oct-29-2010 (Attachment 6).

⁸ Oddi deposition, February 5, 2013, p. 29. See Attachment 2.

6. Federal Resources is part of a complex network of companies. From a financial perspective, two companies are affiliates if either company has the power to control the other (e.g., parent-subsidary) or a third party has the power to control both (e.g., same owner).⁹

7. **Federal Resources:** Since at least 1983, Bentley J. Blum has been the majority shareholder of Federal Resources.¹⁰ Between his personal holdings and those of the Blum Real Estate Trust, which owns 14.1 percent of the common stock, Mr. Blum controls all the preferred shares and approximately 69.3 percent of the common shares of Federal Resources.¹¹

8. **Camp Bird Colorado, Inc. (“Camp Bird”):** Incorporated on March 7, 1958 in Colorado and acquired by Federal Resources in 1963, the company has been based in Salt Lake City since its acquisition by Federal Resources.¹² It was a 100-percent owned subsidiary of Federal Resources from 1963 until March 2010.¹³ Camp Bird owns approximately 160 to 170 mining claims near Ouray Colorado, totaling approximately 1,200 acres.¹⁴ This property is known as the Camp Bird Mine.

⁹ This definition is based on, and is consistent with, the definition of affiliate employed by the U.S. Securities & Exchange Commission (SEC). The SEC defines an affiliate as a “... a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person specified” (See 17 CFR Section 230.405 or 17 CFR Section 501(b)). Note that the term, “person” is explicitly defined in the SEC’s enabling legislation to include an individual, corporation, partnership, association, joint-stock company, trust, or any unincorporated organization. (See the Securities Act of 1933, as amended through April 5, 2012, Section 2(a)(2)). The definition of “affiliate” employed by the SEC is consistent with that used by the American Institute of Certified Public Accountants (AICPA) and the Financial Accounting Standards Board (FASB) in the accounting standards governing the disclosure of related parties. (See FASB Statement No. 57 which defines related parties to include affiliates of the enterprise defined as a party that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with an enterprise.

¹⁰ Security and Exchange Commission Form 10-KSB for Federal Resources Corporation for the fiscal year ended December 31, 1993, Item 12.

¹¹ Ibid.

¹² Ibid.

¹³ Camp Bird Colorado, Inc. v. Board of County Commissioners of the County of Ouray, Colorado, Case No. 02CV16; Reporter’s Transcript of Proceedings, October 16, 2006, Testimony of Scott Butters, FRC-000662 at 681.

¹⁴ Ibid, FRC-000683.

B. Affiliates

9. **CHH Operating Corporation (“CHH”):** CHH Operating Corp. was incorporated on April 30, 1982 in California.¹⁵ It is an affiliate of Federal Resources because Bentley Blum owns 100 percent of the company’s outstanding voting stock.¹⁶

10. **Blum Real Estate Trust:** The Blum Real Estate Trust is an irrevocable trust formed December 15, 1994 by Bentley Blum’s father, Samuel Blum.¹⁷ Bentley Blum, age 72, is the sole beneficiary of the Blum Real Estate Trust and one of two trustees of the Blum Real Estate Trust, along with his mother.^{18,19} Mr. Blum stated that he controls the Trust.²⁰ In describing his decision-making role on behalf of the Blum Real Estate Trust, Bentley Blum recently testified, “I usually make the most important element within the decision that has to be made. In some cases, it requires a second signature, and in some cases, it doesn’t.”²¹ Blum Real Estate Trust is an affiliate of Federal Resources by virtue of the control exercised over both entities by Mr. Blum. The only asset of Blum Real Estate Trust is Camp Bird.²²

11. **Berkshire Coal Corporation (“Berkshire Coal”):** Berkshire Coal Corporation was incorporated on December 6, 1977 in Pennsylvania.²³ Bentley J. Blum is the company’s Chief Executive

¹⁵ California Secretary of State Business Entity Detail for CHH Operation Corporation, accessed on March 9, 2011; U.S. Corporate Income Tax Returns, CHH Operating Corporation, fiscal years 1982-2011 (ended Mar-31-2012), BLUM 000346-518.

¹⁶ U.S. Corporate Income Tax Returns, CHH Operating Corporation, Schedule G, fiscal years 1982-2011 (ended Mar-31-1983 - 2012), BLUM 000346-518.

¹⁷ Blum Real Estate Trust Agreement, December 15, 1994, BLUM 000561-579.

¹⁸ Mr. Blum’s age in 2008 was 67, as provided in Commodore Applied Technologies, Inc., U.S. Securities & Exchange Commission, Annual Report, Form 10-K, for the fiscal year ended December 31, 2008, page 77.

¹⁹ Blum deposition, February 7, 2013, p. 259. See Attachment 1.

²⁰ Ibid., p. 209. See Attachment 1.

²¹ Ibid., p. 259.

²² Ibid., p. 255. See Attachment 1.

²³ Pennsylvania Secretary of State record, Berkshire Coal Corporation, accessed Feb-20-2013.

Officer and owns 100 percent of Berkshire Coal.^{24,25} The company provides services to other companies.²⁶ By virtue of common ownership, Berkshire Coal and Federal Resources are affiliates.

12. **Metro Capital Corporation (“Metro Capital”)**: Bentley Blum owns 100 percent of Metro Capital.²⁷ As described later in this report (i.e., paragraph 34), Metro Capital is one of the businesses owned and controlled by Mr. Blum that paid for expenses owed by Camp Bird. By virtue of common ownership by Mr. Blum, Metro Capital and Federal Resources are affiliates.

13. **Other affiliates**: Bentley Blum owns at least one hundred companies, many of which are inactive. He testified that he does not know the exact number of companies he owns.²⁸ Andrew Oddi, the Secretary for both Federal Resources and Camp Bird, testified that there are approximately 200 companies located in the same Great Neck, New York offices as Federal Resources of which Mr. Blum is involved with 90 to 100 percent of them.²⁹

14. **Aztec Energy Corporation (“Aztec”)**: Aztec was incorporated on December 12, 1977 in Pennsylvania and is located at the same address in Great Neck, New York as Mr. Blum’s companies.³⁰ The company’s sole officer is its President, Carl Valeri who also owns 100 percent of Aztec.³¹ In spite of his ownership of Aztec, recent deposition testimony revealed that, in fact, Mr. Valeri retired sometime around 1998-2000 and appears to have minimal contact with the company.³² As he explained in his deposition when asked if he had any Aztec documents, Mr. Valeri stated “I’ve been retired for ten years

²⁴ New York Secretary of State, Division of Corporations record, accessed Feb-20-2013.

²⁵ Blum deposition, February 7, 2013, pp. 7-8. See Attachment 1.

²⁶ Ibid., p. 8. See Attachment 1.

²⁷ Ibid., p. 61 (Attachment 1); Oddi deposition, February 5, 2013, pp. 156-157, 196 (Attachment 2).

²⁸ Blum deposition, February 7, 2013, pp. 6, 210. See Attachment 1.

²⁹ Oddi deposition, February 5, 2013, p. 33. See Attachment 2.

³⁰ Pennsylvania Department of State Business Entity Filing History for Aztec Energy Corporation, accessed on February 11, 2013. The address for Aztec Energy Corporation is contained in FRC-001065 and FRC-001066. Address for Aztec also provided in Oddi deposition, February 5, 2013, p. 26 (see Attachment 2).

³¹ Oddi deposition, February 5, 2013, p. 26 (see Attachment 2); U.S. Corporate Income Tax Return, Aztec Energy Corp., fiscal year ended Aug-31-2012, Schedule G, BLUM 000342.

³² Oddi deposition, February 5, 2013, pp. 233-235. See Attachment 2.

and I can't remember that I had anything with me at that time that I still may have, so its [sic] not that I know of.”³³ Although Andrew Oddi, the accountant responsible for managing Aztec's checkbook and tax returns, stated that Mr. Valeri called into the office 10 to 12 times a year, he also testified has not seen Mr. Valeri, in person, since Mr. Valeri's retirement party, at least 13 years earlier.^{34,35}

- a. Mr. Oddi, an employee of a firm owned and controlled by Mr. Blum (i.e. Berkshire Coal) conducts all of the business activities of Aztec, a company owned by Mr. Valeri.³⁶ Mr. Oddi uses Mr. Valeri's signature stamp to sign checks from Aztec to Federal Resources. Mr. Oddi transfers funds from Aztec without authorization from Mr. Valeri.³⁷
- b. Mr. Butters, the President of Federal Resources, receives his paycheck from an Aztec bank account.³⁸ He also testified that the business expenses incurred by Camp Bird Colorado were paid for by Aztec.³⁹
- c. Aztec is a “servicing company” and completely funded by Berkshire Coal Corporation, a company that is 100 percent owned by Mr. Blum.⁴⁰
- d. Aztec uses the funds provided by Berkshire Coal Corporation, a company 100 percent owned by Mr. Blum, to fund two other Blum-controlled entities, Federal Resources and Camp Bird.⁴¹ This is accomplished through the use of an Aztec

³³ Valeri deposition, March 25, 2013, pp. 12-13. See Attachment 4.

³⁴ Oddi deposition, February 5, 2013, p. 234 (Attachment 2); Blum deposition, February 7, 2013, pp. 193-195 (Attachment 1).

³⁵ Scott Butters, the President of Federal Resources and Camp Bird, also described Mr. Valeri as Bentley Blum's associate who had retired in an attachment to an e-mail dated January 17, 2013. [see BLUM 001266].

³⁶ Blum deposition, February 7, 2013, pp. 193-194. See Attachment 1.

³⁷ Valeri deposition, March 25, 2013, pp. 41-42. See Attachment 4.

³⁸ Butters deposition, February 6, 2013, p. 6. See Attachment 3.

³⁹ Ibid., p. 58.

⁴⁰ Blum deposition, February 7, 2013, pp. 193-195 (Attachment 1); Oddi deposition, February 5, 2013, pp. 13-34 (Attachment 2); Butters deposition, February 6, 2013, p. 17-19. (Attachment 3).

⁴¹ Oddi deposition, February 5, 2013, p. 29. See Attachment 2.

bank account known as the “F/B/O Aztec Account.” This arrangement was set up in the 1980s to prevent banks seeking money owed by Federal Resources from “latching on” to the funds.⁴²

15. Bentley Blum controls Aztec because his employee conducts all of Aztec’s business activities, all of Aztec’s funding come from another one of his wholly-owned companies (i.e., Berkshire Coal Corporation), and the money is used to fund two other businesses he controls (i.e., Federal Resources and Camp Bird). According to Mr. Blum, entities owned by Mr. Valeri owe entities owned by Blum somewhere between \$130 million and \$200 million.⁴³ Thus, even though Mr. Valeri is the owner of record of Aztec, the evidence shows it to be an affiliate of Federal Resources, Camp Bird, and the other Blum entities mentioned above by virtue of common control.

III. MARCH 2010 TRANSFER OF OWNERSHIP IN CAMP BIRD COLORADO, INC.

16. Federal Resources has been on notice at least since June 2000 of the claims by the U.S.⁴⁴ Additionally, in 2005 EPA issued an Order to Federal Resources to participate in cleanup at the Minnie Moore Site.⁴⁵ In 2008 and 2009, the United States and Federal Resources entered into tolling agreements relating to the Sites.⁴⁶ Also, in January 2010, the United States Department of Justice sent a letter to

⁴² Blum deposition, February 7, 2013, pp. 195-199, (Attachment 1); Letter from Andrew Oddi to Greg Rosen (McGuire Woods), dated March 22, 2011, (Attachment 7).

⁴³ Blum deposition, February 7, 2013, p. 30. See Attachment 1.

⁴⁴ Letter from Scott Butters, President, Federal Resources, to James Nieman, USDA, Regarding File Code 2160, dated July 20, 2000.

⁴⁵ Letter dated Jun-21-2005 from Daniel D. Opalski (Director, Environmental Cleanup, U.S. EPA, Region 10) to Carl Johnston (Minnie Moore Resources Inc.) and Scott A. Butters

⁴⁶ Tolling Agreement between the U.S. and Federal Resources Corporation for CERCLA Claims relating to the Conjecture Mines site, the Idaho Lakeview Mine site, and the Minnie Moore site, signed by Scott A. Butters (Federal Resources) on Sep-08-2008 and Robert Maher (DOJ) on Sep-18-2008. Tolling Agreement between the U.S. and Federal Resources Corporation for CERCLA Claims relating to the Conjecture Mines site, the Idaho Lakeview Mine site, and the Minnie Moore site, signed by Scott A. Butters (Federal Resources) on Jul-22-2009 and Robert Maher (DOJ) on Jul-29-2009.

Federal Resources seeking information about the company's finances and assets including information about Camp Bird Mine.⁴⁷

17. Despite repeated prompting from the United States, Federal Resources did not respond to the United States' letter until October 29, 2010 when the company informed the United States that Camp Bird was no longer part of Federal Resources.⁴⁸ At that time, Federal Resources did not provide certain details of the March 2010 transfer, such as the fact that the transfer was to Blum Real Estate Trust. It was not until March 2011 that the U.S. learned that the transfer had been made to the Blum Real Estate Trust. Under this transaction:

- a. Prior to the March 2010 Transfer, Federal Resources owned 100 percent of Camp Bird. As a result of the transfer, all of Federal Resources' shares in Camp Bird were transferred to the Blum Real Estate Trust. Federal Resources did not receive any cash in return for Camp Bird. With this transfer, the property, mining claims, other permits, and water rights belonging to Camp Bird were transferred along with liabilities that purportedly included \$5.74 million in debt owed by Camp Bird to CHH Operating Corporation. As stated in the Transfer Agreement, Federal Resources asserted that the value of the Camp Bird assets were less than the debt owed to CHH;⁴⁹
- b. In return, Blum Real Estate Trust assumed \$3 million of the \$8.75 million in the principal amount of the loan Federal Resources allegedly owes to an affiliate, Aztec; and,

⁴⁷ Letter from Paul Gormley, U.S. Department of Justice, to Scott Butters, President, Federal Resources, Regarding Conjecture Mine, Idaho Lakeview and Minnie Moore Mines, dated January 11, 2010.

⁴⁸ Letter dated October 29, 2010 with the response from Scott Butters, President, Federal Resources, to U.S. Department of Justice's request for information dated January 11, 2010, paragraph 1. See Attachment 6.

⁴⁹ FRC-002216, Share and Asset Transfer and Debt Assignment Agreement between Federal Resources Corporation and the Blum Real Estate Trust, dated Mar-18-2010. See Attachment 5.

c. In addition, Federal Resources agreed to pay a debt of \$15,160,122 allegedly owed to the Blum Real Estate Trust.⁵⁰ Recently, Federal Resources has asserted this liability was waived by Blum Real Estate Trust as a result of the March 18, 2010 Transfer Agreement.⁵¹

18. Mr. Blum stated in his recent deposition that he and Scott Butters decided to transfer Camp Bird from Federal Resources to the Blum Real Estate Trust.⁵²

19. The March 18, 2010 Share and Asset Transfer and Debt Assignment Agreement (“Transfer Agreement”) clearly shows that Federal Resources transferred 100 percent of the shares in its wholly-owned subsidiary, Camp Bird, to Blum Real Estate Trust. Federal Resources and the Blum Real Estate Trust are affiliates because the majority shareholder of Federal Resources, Bentley J. Blum is also the beneficiary and one of the two trustees for the Blum Real Estate Trust.⁵³ As noted above (i.e., paragraph 10), Bentley J. Blum controls the Blum Real Estate Trust.

20. Federal Resources claims that the transfer of Camp Bird via the March 18, 2010 Transfer Agreement improved its balance sheet by between \$8,738,266 and \$23,898,388.⁵⁴ That is, Federal Resources claims it received consideration worth \$8,738,266 more than the value of its shares of Camp

⁵⁰ Ibid. As explained in detail in Appendix B to my March 11, 2013 Affidavit, this purported debt stems from the 1990 default on a loan from BT Commercial (a subsidiary of Bankers Trust Company) by Kenyon Home Furnishings, Ltd., a subsidiary of Federal Resources. Mr. Blum had guaranteed the loan and was subsequently sued (along with another principal shareholder, Paul E. Hannesson) by BT Commercial for damages. The lawsuit was settled by the parties. Mr. Blum, personally, and a number of his businesses ultimately made the stipulated payments to BT Commercial. Mr. Blum asserts that Federal Resources must repay this debt to him with interest. He also asserts that he assigned this liability to Blum Real Estate Trust; hence, Federal Resources now owes this liability totaling approximately \$15.16 million to the Blum Real Estate Trust. (See Appendix B to Dr. Joan K. Meyer’s March 11, 2013 Affidavit, pp. B-11, B-29-31, B-60-61 for full description and citations).

⁵¹ Blum deposition, February 7, 2013, p.246-247. See Attachment 1; Bentley J. Blum and the Blum Real Estate Trust’s Response to the United States’ First Set of Expert Discovery Requests for Production, dated September 16, 2013, p. 3; Expert Report of Mark V. Erickson dated August 27, 2013, p. 14.

⁵² Blum deposition, February 7, 2013, p.127-128. See Attachment 1.

⁵³ By “affiliate,” I mean an individual, corporation, partnership, business association, or trust that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with the entity specified. Note that this definition is based in, and consistent with, that prescribed by the U.S. Securities & Exchange Commission, the American Institute of Certified Public Accountants (AICPA), and the Financial Accounting Standards Board FASB). (See 17 CFR Section 230.405 and Section 501(b), and FASB Statement No. 57)

⁵⁴ Letter dated October 29, 2010 with the response from Scott Butters, President, Federal Resources, to U.S. Department of Justice’s request for information dated January 11, 2010, paragraph 1. See Attachment 6.

Bird Based on the available financial information, this figure appears to be the result of: a) \$3,000,000 reduction in the debt Federal Resources asserts is owed to Aztec; and b) \$5,738,266 in principal and accrued interest in debt allegedly owed by Camp Bird to CHH Operation Corporation that was conveyed with Camp Bird when its shares were transferred to Blum Real Estate Trust.⁵⁵ Federal Resources has stated more recently that in addition to the \$8,738,266, Blum Real Estate Trust agreed to waive a \$15.16 million debt owed to it by Federal Resources as part of the March 18, 2010 Transfer Agreement.⁵⁶ Thus, Federal Resource argues that the transaction reduced Federal Resources' liabilities by \$23,898,388.⁵⁷

21. Solvency of a business is reflected in a number of different ways. From a balance sheet perspective, a business is solvent if the fair market valuation of its assets exceeds its liabilities. From a cash flow perspective, a business is solvent if it pays its liabilities as they come due. FRC was insolvent at the time of the March 18, 2010 Transfer.

22. Federal Resources has not regularly prepared financial statements, corporate income tax returns or otherwise systematically tracked its financial performance since at least 2000.⁵⁸ However, two versions of a "pro forma" balance sheet for Federal Resources were prepared showing the value of its assets and liabilities as of December 31, 2009.⁵⁹ Both sources show that the net shareholders value of the

⁵⁵ Based on the available financial information, this figure appears to be the result of adding together two items from Article II ("Consideration and Benefits") of the Transfer Agreement provided at FRC-002216 Share and Asset Transfer and Debt Assignment Agreement between Federal Resources Corporation and Blum Real Estate Trust, March 18, 2010. Specifically, at FRC-002217, the "Consideration," defined in section 2.1 of the Transfer Agreement is an assumption by Blum Real Estate Trust of \$3,000,000 of debt owed by Federal Resources to Aztec Energy Corporation at the time of the Transfer Agreement. In addition, at FRC-002216, the "CHH Indebtedness" is defined in the fourth Recital as Camp Bird Colorado, Inc.'s indebtedness to CHH Operating Corporation together with accrued interest, which totaled \$5,738,266 at the time of the agreement.

⁵⁶ Blum deposition, February 7, 2013, p. 246-247. See Attachment 1; Bentley J. Blum and the Blum Real Estate Trust's Response to the United States' First Set of Expert Discovery Requests for Production, dated September 16, 2013, p. 3; Expert Report of Mark V. Erickson dated August 27, 2013, p. 14.

⁵⁷ As explained in my March 11, 2013 Affidavit, pp. 14-21, none of these liabilities represent valid debts.

⁵⁸ Letter dated October 29, 2010 with the response from Scott Butters, President, Federal Resources, to U.S. Department of Justice's request for information dated January 11, 2010, paragraphs 1, 2, 4, and 5. See Attachment 6.

⁵⁹ A "pro forma" balance sheet is prepared to consider the effects of a proposed activity on the value of a company's assets and liabilities, as expressed on its balance sheet. Federal Resources provided one pro forma balance sheet dated 12/31/2009 as an attachment to its Oct-29-2010 letter to DOJ. (See letter dated Oct-29-2010 from Scott Butters (Federal Resources) to Paul Gornley (DOJ), Attachment 6, "PROFORMA 09-30-2010.pdf") Additionally, a pro forma balance sheet as of 12/31/2009 with "adjustments" was also provided. [See FCER00005019.xls, Federal Resources Corporation and Subsidiaries, Balance Sheet,

company – also commonly referred to as the net worth of the company (i.e., total assets less total liabilities) as of December 31, 2009 – was *negative* \$12,757,339 before the transfer of Camp Bird.

23. Prior to the March 2010 Transfer Agreement, Federal Resources was unable to pay its debts as they came due. As stated by Mr. Butters in his letter of October 29, 2010 to the U.S. Department of Justice in response to the government’s January 11, 2010 request for information:⁶⁰

- a. Federal Resources has had no revenues since 1990 and the only cash available has been by virtue of loans extended to it.
- b. CHH demanded repayment on the note extended to Federal Resources and threatened to foreclose for nonpayment. As stated by Mr. Butters, “Because of (i) CHH’s demand and threatened foreclosure, (ii) the overwhelming amount of debt encumbering the Company [Federal Resources], Camp Bird Colorado, Inc. and the Camp Bird Mine, (iii) the inability of the company to develop or sell the Camp Bird Mines and (iv) the holding costs of the Camp Bird Mine (taxes, insurances, etc.), the Company sold Camp Bird Colorado, Inc. on March 18, 2010 for a reduction of the Company’s existing indebtedness in the amount of \$3,000,000.” [page 3]
- c. Additionally, Mr. Butters stated that Federal Resources had also lacked the funds to cover closure and monitoring costs demanded by its joint venture partner related to a former uranium mine near Bancroft, Ontario in Canada.

December 31, 2009, UNAUDITED PROFORMA]. As explained by Mr. Butters, the pro forma balance sheet reflect the before and after effect of the transfer of Camp Bird in the transaction with the Blum Real Estate Trust. [See Butters deposition, February 6, 2013, p. 247, in Attachment 3] These are the portions of financial statements provided for Federal Resources since at least January 1, 2000.

⁶⁰ Letter dated October 29, 2010 with the response from Scott Butters, President, Federal Resources, to U.S. Department of Justice’s request for information dated January 11, 2010, paragraphs 2 and 7. See Attachment 6.

IV. FACTS RELATED TO MR. BLUM'S CONTROL OF FEDERAL RESOURCES & CAMP BIRD COLORADO, INC.

24. As stated previously in paragraph 7, Bentley Blum is the majority shareholder of Federal Resources. He is also a director of Federal Resources.⁶¹ At the time of the transfer, Mr. Blum was aware of the financial condition of Federal Resources, including its alleged liabilities owed to Aztec and Blum Real Estate Trust.⁶² He was also aware of Camp Bird's alleged debt to CHH.⁶³ These debts were also outlined in the March 2010 Transfer Agreement.⁶⁴ Bentley Blum is the sole beneficiary and one of two trustees of the Blum Real Estate Trust.⁶⁵ In addition, he signed the March 2010 Transfer Agreement on behalf of Blum Real Estate Trust.⁶⁶ As a result, the Blum Real Estate Trust was aware of the financial condition of Federal Resources through its sole beneficiary and trustee, Bentley Blum, at the time of the March 2010 Transfer Agreement.

25. Federal Resources and Camp Bird are under common control. Both companies share the same President and Secretary – Scott Butters has served as President of both companies since August 1990 and Andrew Oddi has served as Secretary since January 2003.⁶⁷ Both companies appear to also

⁶¹ Bentley Blum and Blum Real Estate Trust Answers to First Set of Interrogatories, January 15, 2013 and as supplemented, January 25, 2013, No. 7.

⁶² Blum deposition, February 7, 2013, pp. 269-275. See Attachment 1.

⁶³ Ibid.

⁶⁴ FRC-002216, Share and Asset Transfer and Debt Assignment Agreement between Federal Resources Corporation and the Blum Real Estate Trust, dated Mar-18-2010. See Attachment 5.

⁶⁵ Blum deposition, February 7, 2013, p. 259. See Attachment 1.

⁶⁶ FRC-002216, Share and Asset Transfer and Debt Assignment Agreement between Federal Resources Corporation and the Blum Real Estate Trust, dated Mar-18-2010. See Attachment 5.

⁶⁷ Bentley Blum and Blum Real Estate Trust Answers to First Set of Interrogatories, January 15, 2013 and as supplemented, January 25, 2013, No. 9 and 11. Note that recent information indicates that until March 18, 2013, Mr. Oddi was the Secretary of Federal Resources. On that date, Federal Resources submitted an application for reinstatement of its corporate charter with the Nevada Secretary of State. In that application, Mr. Scott Butters (President of both Federal Resources and Camp Bird) was identified as the Secretary of Federal Resources. See FRC_Z0002203.

share the same two Directors, Bentley Blum and Scott Butters; however, conflicting information exists as to identities of the directors of Camp Bird.⁶⁸ Both companies are under the ultimate control of Bentley Blum. Mr. Blum is the majority shareholder of Federal Resources. Federal Resources, in turn, owned 100 percent of Camp Bird until the March 2010 transfer. After that date, Camp Bird became wholly-owned by Blum Real Estate Trust – an entity controlled by Mr. Blum.

26. Ample evidence exists demonstrating that Bentley Blum, in fact, exerted control over both Federal Resources and Camp Bird. The Boards of Directors of Federal Resources and Camp Bird have not met since at least 2000. Mr. Blum made the decision to subordinate the debt purportedly owed by Camp Bird to CHH to Caldera Holdings without consulting the President of Camp Bird, Scott Butters.⁶⁹ The fact that Mr. Blum made these most fundamental decisions on behalf of Federal Resources and Camp Bird, as well as the fact that the Board does not seem to play a role, demonstrates that he exercised actual control.

A. Neither Federal Resources nor Camp Bird Colorado Observed Corporate Formalities

27. As discussed more completely in Appendix B of my March 11, 2013 Affidavit, neither Camp Bird Colorado nor Federal Resources observed corporate formalities.⁷⁰ Federal Resources failed to adhere to the following corporate formalities:

- a. From 2006 to the present, the number of directors (2) does not correspond with the requirements specified in its Articles of Incorporation (3 to 11).

⁶⁸ Ibid. Note that Scott Butters in his recent deposition stated that there are two directors of Camp Bird, himself and Mr. Blum. (See Butters deposition, February 6, 2013, p. 9, in Attachment 3). However, the interrogatory responses do not identify either Mr. Butters or Mr. Blum (or any other individual) as a director of Camp Bird. (See Bentley Blum and Blum Real Estate Trust Answers to First Set of Interrogatories, January 15, 2013 and as supplemented, January 25, 2013, No. 7 and 9). Mr. Blum additionally testified that he is a Director of Camp Bird. (See Blum deposition, February 7, 2013, p. 21, in Attachment 1).

⁶⁹ Butters deposition, February 6, 2013, pp. 82-83. See Attachment 3.

⁷⁰ See Appendix B to Dr. Joan K. Meyer's March 11, 2013 Affidavit, pp. B-44 to B-55, for full description and citations.

- b. There have been no Board of Directors meetings since January 2000 and there has been only one board action, a Unanimous Written Consent of Board of Directors dated March 18, 2010, resolving to adopt the Share and Asset Transfer and Debt Agreement.
 - c. Federal Resources has not provided any shareholder meeting minutes.
 - d. Federal Resources cannot find its corporate record book.
 - e. Federal Resources only provided two isolated pro forma balance sheets since January 1, 2000 (discussed in paragraph 22).
 - f. Federal Resources has not provided any Federal Income Tax Returns since January 1, 2000.
 - g. Federal Resources' corporate status was revoked in the state of Nevada (its state of incorporation) until it was recently reinstated on March 18, 2013, and expired in the state of Utah (its state of domicile).
28. Camp Bird Colorado failed to adhere to the following corporate formalities:
- a. The number of directors (2) does not correspond with the requirements specified in its Articles of Incorporation (3-5).
 - b. Camp Bird Colorado has not held any Board of Director meetings since January 1, 2000.
 - c. Camp Bird Colorado has not provided any shareholder meeting minutes.
 - d. Camp Bird Colorado cannot find its corporate record book.
 - e. Camp Bird Colorado did not provide any financial records.
 - f. Camp Bird Colorado has not provided any Federal Income Tax Returns since January 1, 2000.
 - g. Camp Bird Colorado is active in the state of Colorado (its state of incorporation), but has no record in the state of Utah (its state of domicile).

29. There is no evidence that Federal Resources notified the minority shareholders of the transfer of Camp Bird Colorado, its major asset of value, to the Blum Real Estate Trust either through the annual meeting of shareholders, which have not been held since 1987, or otherwise.⁷¹

B. Federal Resources, Camp Bird Colorado, and Aztec Energy Commingled Finances

30. Federal Resources and Camp Bird shared a single bank account owned by Aztec Energy both before and after the transfer of Camp Bird to the Blum Real Estate Trust. Scott Butters, the President of both Federal Resources and Camp Bird, testified that neither company had a bank account until the end of 2012; however both shared the same checking account which he refers to as the “FBO Aztec Energy account” for which he had signatory authority.⁷² The FBO Aztec Energy account was created in the early 1990s.⁷³ Money is advanced to this account approximately twice a month so that Federal Resources can pay its expenses and avoid bankruptcy.⁷⁴ This single account was used to pay for any expenses arising from either Federal Resources or Camp Bird.⁷⁵

31. The FBO Aztec Energy account that is used to pay for Federal Resources and Camp Bird expenses is owned by Aztec Energy.⁷⁶

32. The flow of money into the FBO Aztec Energy account is controlled by Bentley Blum. Funds enter the FBO Aztec Energy account through another Aztec bank account. Mr. Oddi, an employee of Berkshire Coal, uses a signature stamp to sign checks from Aztec’s bank account to the FBO Aztec

⁷¹ Butters deposition, February 6, 2013, p. 208. See Attachment 3.

⁷² Ibid., p. 73-74, 170-173. See Attachment 3.

⁷³ Ibid., p. 172, (Attachment 3); See, also, letter from Andrew Oddi to Greg Rosen (McGuire Woods), dated March 22, 2011, (Attachment 7).

⁷⁴ Ibid., pp. 173-174. See Attachment 3.

⁷⁵ Ibid., p. 177. See Attachment 3.

⁷⁶ Valeri deposition, March 25, 2013, pp. 45-46. See Attachment 4.

Energy account on behalf of the company's sole shareholder, Mr. Valeri.⁷⁷ Mr. Valeri does not need to authorize these transactions.⁷⁸

33. At the end of 2012, a separate account was set up for Camp Bird.⁷⁹ Camp Bird used the same bank account as Federal Resources Corp. from the time of the transfer in March 2010 at least until it set up its own bank account at the end of 2012.⁸⁰ Thus, both before and after the transfer of Camp Bird, the corporations commingled their funds and Federal Resources controlled the finances of Camp Bird

34. In September 2012, Caldera Mineral Resources, LLC agreed to pay/lend \$600,000 in cash to Camp Bird for, among other things, the rights to prospect and explore the patented mining claims owned by Camp Bird.⁸¹ As Mr. Blum made clear in his recent testimony, under the agreement, Camp Bird was to receive \$600,000 in cash.⁸² In spite of this, *none* of the \$600,000 was ever received by Camp Bird; instead, all of the money went to Aztec – a company owned by Carl Valeri.⁸³ From there, Aztec transferred a portion of the funds to Berkshire Coal and Metro Capital – both companies owned and controlled by Bentley Blum – to reimburse them for money they had advanced to Aztec to pay for Camp Bird expenses.⁸⁴

35. Another example of the disregard of the separateness of the corporations was provided by Scott Butters, President of Camp Bird and Federal Resources when he was explaining which entity paid

⁷⁷ Ibid., pp. 41-42. See Attachment 4.

⁷⁸ Ibid. See Attachment 4.

⁷⁹ Butters deposition, February 6, 2013, p. 74. See Attachment 3.

⁸⁰ Ibid., p. 177. See Attachment 3.

⁸¹ Mining Lease and Option to Purchase entered into between Caldera Mineral Resources, LLC and Camp Bird Colorado, Inc., Business Confidential 00105 at 114. Note that Mr. Oddi, Mr. Scott and Mr. Blum characterize this \$600,000 payment as a loan even though it is characterized as an “advance royalty payment” in the Mining Lease and Option to Purchase agreement. See Oddi deposition, February 5, 2013, p. 171 (Attachment 2); Butters deposition, February 6, 2013, p. 102 (Attachment 3); and Blum deposition, February 7, 2013, p. 51 (Attachments 1).

⁸² Blum deposition, February 7, 2013, p. 53. See Attachment 1.

⁸³ Blum deposition, February 7, 2013, p. 57; Oddi deposition, February 5, 2013, pp. 193-195. See Attachments 1 and 2.

⁸⁴ Handwritten ledger for Aztec Energy Corporation, entries recorded between Jul-23-2012 – Sep-24-2012, AZTEC 000837; Oddi deposition, February 5, 2013, pp. 215-219, (Attachment 2); Blum deposition, February 7, 2013, pp. 58-63, (Attachment 1); Butters deposition, February 6, 2013, pp. 72-77, (Attachment 3).

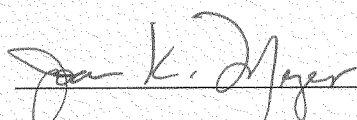
his salary in 2012. Even though approximately 20 percent of his time was devoted to Federal Resources' business and 80 percent to Camp Bird business, Federal Resources pays his salary.⁸⁵ As he explained "Under the umbrella of Federal Resources and Camp Bird Colorado, I still work for Camp Bird, do things for Camp Bird, but Camp Bird has no money to pay me, so I'm still paid by Federal Resources. Even though Camp Bird is now owned by a trust that Bentley [Blum] controls, it makes no difference. It's all under the same umbrella of companies that are —"⁸⁶ Mr. Butters shortly thereafter clarified that "I don't know where the money comes from. It's provided to me by Aztec."⁸⁷

36. A final example is provided by the salary paid to Andrew Oddi which is paid entirely by Berkshire Coal, a company owned and controlled by Mr. Blum.⁸⁸ Part of Mr. Oddi's responsibilities, however, are to manage the finances of Aztec, including its checkbook and tax returns, and conduct all of the activities of Aztec.⁸⁹ That is, an employee of a firm owned and controlled by Mr. Blum (i.e. Berkshire Coal) conducts all of the business activities of a firm that is owned by Mr. Valeri.

I, JOAN K. MEYER, do declare under penalty of perjury that the foregoing is true and correct.

Executed in Cambridge, Massachusetts.

Date Nov - 22 - 2013


JOAN K. MEYER

⁸⁵ Butters deposition, February 6, 2013, pp. 56-57. See Attachment 3.

⁸⁶ Ibid., pp. 57-58. See Attachment 3.

⁸⁷ Ibid., p. 58. See Attachment 3.

⁸⁸ Oddi deposition, February 5, 2013, p. 11. See Attachment 2.

⁸⁹ Ibid., pp. 13-34. See Attachment 2.